

Washington State Auditor's Office

Audit Report

Audit Services

Report No. 57942

YAKIMA COUNTY, WASHINGTON

January 1, 1995 Through December 31, 1995

Issue Date: January 17, 1997

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YAKIMA COUNTY, WASHINGTON
January 1, 1995 Through December 31, 1995

**Independent Auditor's Report On Compliance With Laws And Regulations
At The Financial Statement Level (Plus Additional State Compliance
Requirements Per RCW 43.09.260)**

Board of Commissioners
Yakima County
Yakima, Washington

We have audited the general-purpose financial statements, as listed in the table of contents, of Yakima County, Washington, as of and for the fiscal year ended December 31, 1995, and have issued our report thereon dated October 8, 1996.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to Yakima County is the responsibility of the county's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants.

We also performed additional tests of compliance with state laws and regulations as required by *Revised Code of Washington* (RCW) 43.09.260. This statute requires the State Auditor to inquire as to whether the county complied with the laws and the *Constitution of the State of Washington*, its own ordinances and orders, and the requirements of the State Auditor's Office. Our responsibility is to examine, on a test basis, evidence about the county's compliance with those requirements and to make a reasonable effort to identify any instances of misfeasance, malfeasance, or nonfeasance in office on the part of any public officer or employee and to report any such instance to the management of the county and to the Attorney General. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with these provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of material noncompliance that are required to be reported herein under *Government Auditing Standards*. However, we noted instances of noncompliance immaterial to the financial statements which are identified in the Schedule of Findings accompanying this report.

This report is intended for the information of management and the board of commissioners and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Brian Sonntag
State Auditor

October 8, 1996

YAKIMA COUNTY, WASHINGTON
January 1, 1995 Through December 31, 1995

**Independent Auditor's Report On Internal Control Structure
At The Financial Statement Level**

Board of Commissioners
Yakima County
Yakima, Washington

We have audited the general-purpose financial statements of Yakima County, Washington, as of and for the fiscal year ended December 31, 1995, and have issued our report thereon dated October 8, 1996.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of the county is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the financial statements of the county, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The matters involving the internal

control structure and its operation that we consider to be reportable conditions are included in the Schedule of Findings accompanying this report.

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe none of the reportable conditions described in the Schedule of Findings is a material weakness.

We also noted other matters involving the internal control structure and its operation that we have reported to the management of the county in a separate letter dated October 8, 1996.

This report is intended for the information of management and the board of commissioners and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Brian Sonntag
State Auditor

October 8, 1996

YAKIMA COUNTY, WASHINGTON
January 1, 1995 Through December 31, 1995

Schedule Of Findings

1. County Public Works Department Should Comply With Laws Governing Requests For Public Records

The public works department did not respond or provide public records within five days of receiving record requests, as required by state law. The following two instances were noted:

- a. A January 16, 1996, request for information about fire and life safety permit fees and costs had not been answered as of the time of our audit in August 1996.
- b. A May 2, 1995, request for public records was not responded to until the end of May 1995 after further verbal requests were made for the same information.

RCW 42.17.320 states in part:

Responses to requests for public records shall be made promptly by agencies within five business days of receipt.

Public works officials stated that they did not respond to item a. above because they didn't have the information requested available in the county records. In addition, they explained that they never received the request described in item b.

Our audit disclosed that the information requested January 16, 1996, was not available on the system; however, county management did not respond to the person who filed the request within five days as required in the statute above. In addition, our audit disclosed that the May 2, 1995, letter was received on that day by county personnel in the accounting division of public works and then forwarded to the public works engineering department. However, we were unable to verify that the request forwarded was received by the public works engineering department.

As a result, the public is denied timely information on government operations and confidence in government is diminished.

We recommend that the public works department comply with RCW 42.17.320 as described above.

Auditee's Response

The Public Works Department did not on two occasions provide a response to a request for public information within the time period required by RCW 42.17.320. This oversight will be corrected by establishing a process to ensure that written requests for public information will be responded to within five business days.

2. The County Assessor Should Ensure Properties Which Change From Exempt To Taxable Status Are Properly Recorded On The Assessment Rolls

Properties sold by governmental entities to private individuals or businesses during 1993 through 1995 did not always have tax exemption status removed in a timely manner.

Out of the properties tested, we found 15 instances of government properties sold to the private sector during 1993 through 1995 which were not placed on the taxable property assessment roll in the following year. The taxes not billed for these properties amounted to at least \$14,850 in lost tax revenue to government entities.

The current procedures used for recording a change from exempt to taxable status are not designed to recognize and correct the above discrepancies, and would have allowed these properties to continue their exempt status indefinitely.

RCW 84.36.855 states:

Property which changes from exempt to taxable status shall be subject to the provisions of RCW 84.36.810 and 84.40.350 through 84.40.390, and the assessor shall also place the property on the assessment roll for taxes due and payable in the following year.

The assessor indicated the cause of these omissions was computer system changes and understaffing.

We recommend that the county assessor implement internal control policies and procedures to ensure compliance with applicable state laws and regulations as specified above.

Auditee's Response

The Yakima County Assessor did not submit a response.

3. The County Assessor Should Comply With Statutes Concerning New Construction

Our audit of compliance with statutes concerning new construction disclosed that 14 properties out of 28 tested were not in compliance with one or more of the following statutes.

- a. Eight instances were noted which did not have a physical inspection within 12 months.

RCW 36.21.070 states:

Upon receipt of a copy of a building permit, the county assessor shall, within twelve months of the date of issue of such permit, proceed to make a physical appraisal of the buildings . . . covered by the permit.

- b. Four instances were noted where the properties were not put on the tax rolls timely.

RCW 36.21.080 states:

The county assessor is authorized to place any property that is increased in value due to construction or alteration for which a building permit was issued . . . on the assessment rolls for the purposes of tax levy up to August 31st of each year.

- c. Two instances were noted in which mobile homes were not placed on the tax rolls timely.

RCW 36.21.090 states:

When any mobile home first becomes subject to assessment for property taxes in this state, the county assessor is authorized to place the mobile home on the assessment rolls for purposes of tax levy up to August 31st of each year

When new building construction or newly placed mobile homes are not placed on the assessment rolls when eligible, county and state governments lose an undetermined amount of tax revenues and taxpayers may carry an unequitable share of the tax burden.

The assessor indicated the cause of these omissions was understaffing.

We recommend the county assessor comply with statutes governing new construction. A system should be developed to ensure that properties are inspected and placed on the assessment rolls as allowed by the above referenced statutes.

Auditee's Response

The Yakima County Assessor did not submit a response.

4 Internal Controls Over Travel Reimbursements Should Be Improved

Our audit revealed the following weaknesses with the reimbursement of travel expenses:

- The travel policy adopted by the county commissioners does not require receipts for meals charged. Additionally, it does not establish limits for meals or hotel costs charged.
- Authorization and determination of reasonableness of travel reimbursements are performed by each department head. Without the establishment of limits for meals and hotel costs charged, no provisions exist for consistency among departments.

Resolution 512 - 1976 states:

Board intends to establish policy regulations which provide for the consistent administration of the reimbursement of said travel expenses.

An internal control system consists of the plan of organization, methods, and procedures adopted by management to ensure that resource use is consistent with laws, regulations, and policies; that resources are safeguarded against waste, loss, and misuse; and that reliable data is obtained, maintained, and fairly disclosed in reports.

AU Section 319.69 (2) states that:

. . . Establishing and maintaining an internal control structure is an important management responsibility. In establishing specific internal control structure policies and procedures concerning an entity's ability to record, process, and summarize . . . some of the specific objectives management may wish to consider include the following:

- Transactions are executed in accordance with management's general or specific authorization . . .
- Access to assets is permitted only in accordance with management's authorization

RCW 42.24.090 states in part:

No claim for reimbursement of any expenditures by officers or employees of any municipal corporation or political subdivision of the state for transportation, lodging, meals or any other purpose shall be allowed by any officer, employee or board charged with auditing accounts unless the same shall be presented in a detailed account . . . All claims authorized under this section shall be duly certified by the officer or employee submitting such claims on forms and in the manner prescribed by the state auditor.

RCW 43.09.200 states in part:

. . . The accounts shall show receipt, use, and disposition of all public property, and the income, if any, derived therefrom . . . all receipts, vouchers, and other documents kept, or required to be kept, necessary to isolate and prove the validity of every transaction

Without a policy that requires receipts to support the validity of an expense, the possibility that irregularities could occur and not be detected increases. It also does not provide for consistency among departments.

The county believes current procedures used are adequate.

We recommend that county management require receipts for meal costs charged in order to support the validity of expenses.

Auditee's Response

The Board of Yakima County Commissioners heartily disagree that this should be a FINDING. In fact, in subsequent conversations with your staff, we strongly indicated that just because the State operates on a per diem system, the County is not legally bound to do likewise. Also, during that discussion, they admitted that in fact, the issue was NOT that we implement a PER DIEM system, but rather, have a different method in verifying actual meal expenses. Since we all agreed that per diem was not the issue, and since we will, effective January 1, 1997, require that all meal costs be verified by receipt, this should not be a finding.

Auditor's Concluding Remarks

We wish to thank the county for responding to Findings 1 and 4 of our audit report. Regarding Finding 4, for the past two years the State Auditor's Office has recommended that the county require employees to submit actual receipts to establish the validity of travel expenses or institute a per diem policy. Since the county had not instituted our past recommendations or other measures to address this condition, we are repeating this finding. This treatment is consistent with how similar conditions are reported for all units of state and local government this office is responsible to audit.

Instituting a per diem policy in place of submitting actual receipts can be an acceptable alternative because (1) a per diem policy usually reflects rates which are reasonable (such as the rates for Washington state), and (2) supports the county's own 1976 ordinance which calls for "consistent administration of the reimbursement of said travel expenses." Currently, some departments have no limits on meal and hotel expenses while others have self-imposed limits which cause inequitable treatment.

We will review the corrective action taken by the county during our next examination.

YAKIMA COUNTY, WASHINGTON
January 1, 1995 Through December 31, 1995

**Independent Auditor's Report On Financial Statements And Additional
Information**

Board of Commissioners
Yakima County
Yakima, Washington

We have audited the accompanying general-purpose financial statements of Yakima County, Washington, as of and for the fiscal year ended December 31, 1995, as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Yakima County, at December 31, 1995, and the results of its operations and cash flows of its proprietary fund types for the fiscal year then ended, in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of State Financial Assistance listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

The special purpose districts listed in the supporting schedule are audited as a part of the trust and agency funds of Yakima County.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 8, 1996, on our consideration of the county's internal control structure and a report dated October 8, 1996, on its compliance with laws and regulations.

Brian Sonntag
State Auditor

October 8, 1996

YAKIMA COUNTY, WASHINGTON
January 1, 1995 Through December 31, 1995

**Additional Information Regarding Audits Of Special Purpose Districts Included In
Trust And Agency Funds**

The State Auditor's Office has established audit policies for special purpose districts associated with the county's financial statements. These audit policies are designed to reflect low audit risk assessment, minimize audit costs, and apply auditing procedures that are appropriate to the district's size and other factors. For the purpose of these policies, special purpose districts are defined as most separate municipal corporations which use the county auditor and treasurer as ex-officio officers. Special purpose districts include:

- Unclassified Public Utility Districts
- Public Hospital Districts
- Unclassified Port Districts
- Cemetery Districts
- Ferry Districts (except county ferries)
- Fire Protection Districts
- Park and Recreation Districts
- Mosquito Control Districts
- Weed Control Districts
- Animal Pest Control Districts
- Ambulance and First Aid Districts
- Irrigation Districts
- TV Reception District
- Diking Districts
- Flood Control Districts
- Drainage Districts
- Diking and Drainage Districts
- Water Districts
- Sewer Districts
- Water/Sewer Districts

These policies DO NOT apply to school districts, airport districts, road improvement districts, county road and bridge service districts, utility local improvement districts, local improvement districts, metropolitan park districts, public transportation benefit areas, housing authorities, solid waste collection districts, county rail districts, lake management districts, or any economic or industrial development districts.

Classifications

Special purpose districts are classified into three categories determined by the amount and source of revenues. These categories define audit planning and scheduling, auditing procedures and levels of testing, billing procedures, and audit reporting requirements.

Category 1 Districts

All special purpose districts, regardless of type, which either:

- a. Had more than \$500,000 of revenues in any year being audited, or
- b. Received \$25,000 or more of direct or indirect federal assistance in any year being audited.

Category 1 districts are audited individually and each receives its own audit report. The Category 1 districts associated with the county's financial statements are:

Fire Protection District No. 4
Fire Protection District No. 5
Fire Protection District No. 12
Yakima Valley Regional Library
Naches/Selah Irrigation District
Port of Sunnyside
Conference of Governments
District Health

Category 2 Districts

All special purpose districts which had total revenues of at least \$25,000 but not more than \$500,000 in any year being audited and which received less than \$25,000 in direct and indirect federal assistance. Additionally, the following types of districts will be considered as Category 2 even if their annual revenues are less than \$25,000:

Public Utility Districts
Public Hospital Districts
Irrigation Districts
Water Districts
Sewer Districts
Water/Sewer Districts
Port Districts

These types of districts have greater audit risks than other types of districts of equivalent size because they typically received a significant amount of their revenues from locally generated sources rather than through taxes and assessments.

Category 2 districts are audited as a group using limited auditing procedures. A single, combined audit report is issued for the Category 2 districts. The Category 2 districts associated with the county's financial statements are:

Fire Protection District No. 1
Fire Protection District No. 2
Fire Protection District No. 3
Fire Protection District No. 6
Fire Protection District No. 9
Fire Protection District No. 10
Fire Protection District No. 11
Fire Protection District No. 14
Diking District No. 1
Drainage Improvement District No. 3
Drainage Improvement District No. 11

Terrace Heights Sewer District
Ahtanum Irrigation District
Grandview Irrigation District
Granger Irrigation District
Home Irrigation District
Outlook Irrigation District
Selah/Moxee Irrigation District
South Naches Irrigation District
Snipes Mountain Irrigation District
Terrace Heights Irrigation District
Union Gap Irrigation District
Wenas Irrigation District
Yakima Reservation Irrigation District
Port of Grandview
Coviche Sewer District
Buena Irrigation District
Outlook Water District
Zillah Irrigation District
Clean Air Authority

Category 3 Districts

All special purpose districts which had total revenues of less than \$25,000 in any year being audited except those districts specifically listed in Category 2.

Category 3 districts are audited only at the county level using auditing procedures appropriate for a trust and agency fund. No separate audit reports are issued for Category 3 districts. The Category 3 districts associated with the county's financial statements are:

Fire Protection District No. 7
Diking District No. 3
Diking District No. 4
Diking District No. 5
Drainage Improvement District No. JT 1
Drainage Improvement District No. 2
Drainage Improvement District No. JT 2
Drainage Improvement District No. 3
Drainage Improvement District No. 4
Drainage Improvement District No. 5
Drainage Improvement District No. 7
Drainage Improvement District No. 9
Drainage Improvement District No. 12
Drainage Improvement District No. 13
Drainage Improvement District No. 16
Drainage Improvement District No. 17
Drainage Improvement District No. 18
Drainage Improvement District No. 19
Drainage Improvement District No. 22
Drainage Improvement District No. 24
Drainage Improvement District No. 25
Drainage Improvement District No. 26
Drainage Improvement District No. 27
Drainage Improvement District No. 28
Drainage Improvement District No. 29

Drainage Improvement District No. 32
Drainage Improvement District No. 33
Drainage Improvement District No. 34
Drainage Improvement District No. 35
Drainage Improvement District No. 38
Drainage Improvement District No. 39
Drainage Improvement District No. 40
Drainage Improvement District No. 41
Drainage Improvement District No. 42
Drainage Improvement District No. 43
Drainage Improvement District No. 44
Drainage Improvement District No. 46
Drainage Improvement District No. 48

YAKIMA COUNTY, WASHINGTON
January 1, 1995 Through December 31, 1995

Independent Auditor's Report On Supplementary Information
Schedule Of Federal Financial Assistance

Board of Commissioners
Yakima County
Yakima, Washington

We have audited the general-purpose financial statements of Yakima County, Washington, as of and for the fiscal year ended December 31, 1995, and have issued our report thereon dated October 8, 1996. These financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the financial statements of Yakima County taken as a whole. The accompanying Schedule of Federal Financial Assistance is presented for purposes of additional analysis and is not a required part of the financial statements. The information in the schedule has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Brian Sonntag
State Auditor

October 8, 1996

YAKIMA COUNTY, WASHINGTON
January 1, 1995 Through December 31, 1995

**Independent Auditor's Report On Compliance With The General Requirements
Applicable To Federal Financial Assistance Programs**

Board of Commissioners
Yakima County
Yakima, Washington

We have audited the general-purpose financial statements of Yakima County, Washington, as of and for the fiscal year ended December 31, 1995, and have issued our report thereon dated October 8, 1996.

We have applied procedures to test the county's compliance with the following requirements applicable to its federal financial assistance programs, which are identified in the Schedule of Federal Financial Assistance, for the fiscal year ended December 31, 1995:

- Political activity
- Davis-Bacon Act
- Civil rights
- Cash management
- Relocation assistance and real property acquisition
- Federal financial reports
- Allowable costs/cost principles
- Drug-Free Workplace Act
- Administrative requirements, including subrecipient monitoring

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's (OMB) *Compliance Supplement for Single Audits of State and Local Governments* or alternative procedures. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the second paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that the county had not complied, in all material respects, with those requirements.

This report is intended for the information of management and the board of commissioners and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Brian Sonntag
State Auditor

October 8, 1996

YAKIMA COUNTY, WASHINGTON
January 1, 1995 Through December 31, 1995

**Independent Auditor's Report On Compliance With Specific Requirements
Applicable To Major Federal Financial Assistance Programs**

Board of Commissioners
Yakima County
Yakima, Washington

We have audited the general-purpose financial statements of Yakima County, Washington, as of and for the fiscal year ended December 31, 1995, and have issued our report thereon dated October 8, 1996.

We also have audited the county's compliance with the requirements applicable to its major federal financial assistance programs, which are identified in the accompanying Schedule of Federal Financial Assistance, for the fiscal year ended December 31, 1995. Those requirements include:

- types of services allowed or unallowed
- eligibility
- matching, level of effort, or earmarking
- reporting
- special tests and provisions related to Federal Forest Yield (CFDA 10.665) - "fifty percent shall be spent by the counties on public schools or public roads, and fifty percent shall be spent by the counties on public schools"; Social Services Block Grant (CFDA 93.667) - expenditure of allotments within proper period; Special Programs for the Aging-Nutrition Services (CFDA 93.044-045) - performance of technical assistance, monitoring and evaluations, and voluntary contributions; Job Training Partnership Act (CFDA 17.250) - fixed unit price contracts, client eligibility, vendor payments, and contract charges; Community Development Block Grant (CFDA 14.228) - environmental review and request for release of funds; Highway Planning and Construction (CFDA 20.205) - vouchers, right-of-way, extensions, and sampling and testing; Child Support Enforcement Program (CFDA 93.563) - paternity and locate services as described in the OMB *Compliance Supplement for Single Audits of State and Local Governments*
- claims for advances and reimbursements
- and amounts claimed or used for matching

The management of the county is responsible for the county's compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit of compliance with those requirements in accordance with generally accepted auditing standards, *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-128, *Audits of State and Local Governments*. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes

examining, on a test basis, evidence about the county's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed an immaterial instance of noncompliance with the requirements referred to in the second paragraph, which has been reported to management in a separate letter dated October 8, 1996. We have considered the instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Yakima County complied, in all material respects, with the requirements referred to in the second paragraph of this report that are applicable to its major federal financial assistance programs for the fiscal year ended December 31, 1995.

This report is intended for the information of management and the board of commissioners and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Brian Sonntag
State Auditor

October 8, 1996

YAKIMA COUNTY, WASHINGTON
January 1, 1995 Through December 31, 1995

**Independent Auditor's Report On Compliance With Specific Requirements
Applicable To Nonmajor Federal Financial Assistance Program Transactions**

Board of Commissioners
Yakima County
Yakima, Washington

We have audited the general-purpose financial statements of Yakima County, Washington, as of and for the fiscal year ended December 31, 1995, and have issued our report thereon dated October 8, 1996.

In connection with our audit of the financial statements of the county and with our consideration of the county's control structure used to administer its federal financial assistance programs, as required by OMB Circular A-128, *Audits of State and Local Governments*, we selected certain transactions applicable to certain nonmajor federal financial assistance programs for the fiscal year ended December 31, 1995. As required by OMB Circular A-128, we have performed auditing procedures to test compliance with the requirements governing allowability of the program expenditures and eligibility of the individuals or groups to whom the county provides federal financial assistance that are applicable to those transactions. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the preceding paragraph. With respect to the items not tested, nothing came to our attention that caused us to believe that Yakima County had not complied, in all material respects, with those requirements.

This report is intended for the information of management and the board of commissioners and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Brian Sonntag
State Auditor

October 8, 1996

YAKIMA COUNTY, WASHINGTON
January 1, 1995 Through December 31, 1995

**Independent Auditor's Report On Internal Control Structure Used In
Administering Federal Financial Assistance Programs**

Board of Commissioners
Yakima County
Yakima, Washington

We have audited the general-purpose financial statements of Yakima County, Washington, as of and for the fiscal year ended December 31, 1995, and have issued our report thereon dated October 8, 1996. We have also audited their compliance with requirements applicable to major federal financial assistance programs and have issued our report thereon dated October 8, 1996.

We conducted our audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of OMB Circular A-128, *Audits of State and Local Governments*. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and about whether the county complied with laws and regulations, noncompliance with which would be material to a major federal financial assistance program.

In planning and performing our audit, we considered the county's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and on compliance with requirements applicable to major federal assistance programs and to report on the internal control structure in accordance with OMB Circular A-128. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal financial assistance programs. We have addressed internal control structure policies and procedures relevant to our audit of the financial statements in a separate report dated October 8, 1996.

The management of the county is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that:

- Assets are safeguarded against loss from unauthorized use or disposition.
- Transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.
- Federal financial assistance programs are managed in compliance with applicable laws and regulations.

Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures used in administering federal financial assistance programs in the following categories:

- **Accounting Controls**
 - Cash receipts
 - Receivables
 - Accounts payable
 - Purchasing and receiving
 - Payroll
 - General ledger
- **General Requirements**
 - Political activity
 - Davis-Bacon Act
 - Civil rights
 - Cash management
 - Relocation assistance and real property acquisition
 - Federal financial reports
 - Allowable costs/cost principles
 - Drug-Free Workplace Act
 - Administrative requirements, including subrecipient monitoring
- **Specific Requirements**
 - Types of services
 - Eligibility
 - Matching, level of effort, earmarking
 - Reporting
 - Special requirements
- **Claims For Advances And Reimbursements**
- **Amounts Claimed Or Used For Matching**

For all of the applicable internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and we assessed control risk.

The following internal control structure categories were determined to be insignificant to federal financial assistance programs:

- **Accounting Controls**
 - Cash disbursements
 - Inventory control
 - Property, plant, and equipment

During the fiscal year ended December 31, 1995, the county expended 88.5 percent of its total federal financial assistance under major federal financial assistance programs.

We performed tests of controls, as required by OMB Circular A-128, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements, and requirements governing claims for advances and reimbursements, and amounts claimed or used for matching that are applicable to the county's major federal financial assistance programs, which are identified in the accompanying Schedule of Federal Financial Assistance. Our procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure policies and procedures used in administering federal financial assistance would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that noncompliance with laws and regulations that would be material to a federal financial assistance program may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses.

We noted certain matters involving the internal control structure and its operation that we have reported to the management of the county in a separate letter dated October 8, 1996.

This report is intended for the information of management and the board of commissioners and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Brian Sonntag
State Auditor

October 8, 1996

YAKIMA COUNTY, WASHINGTON
January 1, 1995 Through December 31, 1995

Status Of Prior Findings

The finding contained in the prior audit report was resolved as follows:

1. County Officials Should Improve Procedures Over Suspended And Debarred Requirements

Resolution: *The county officials have resolved this audit finding.*